

INSTITUTE *of* STATISTICS OXFORD

Bulletin Vol. 4.

May 16, 1942

No. 7

CONTENTS

PAGE

1. FUEL RATIONING	145
2. A 'HUMAN NEEDS' DIET IN WAR TIME, by T. Schulz	148
3. WAGES AND THE NATIONAL INCOME IN 1940 AND 1941, by M. Kalecki	150
4. DIARY :— 3% Issue—Costing—Family Allowances—Cinema Prices— Sweet Rationing—Roosevelt's Economic Programme— A Labour Supply Inspectorate.	153

EDITORIAL NOTE.

Subscriptions to the BULLETIN should be sent to Basil Blackwell, 49 Broad Street, Oxford; the cost of each issue is 1s., and of a yearly subscription (three-weekly issues) 15s.

The views and recommendations put forward in signed articles are those of the respective authors, and not necessarily those of the Institute of Statistics or of the Editor of the BULLETIN.

FUEL RATIONING.

Two problems are involved in the question of fuel rationing: (1) whether fuel rationing is necessary, either at the present time or in view of a possible deterioration of the situation in the future; (2) whether the particular scheme proposed by Sir William Beveridge cannot be simplified. In the recent discussion these two issues have been hopelessly confused. The violence of the opposition to the rationing scheme is, indeed, rather surprising. Starting from the complexities of Sir William's scheme, much of the opposition appears to assume that such complexities are inherent in *any* rationing scheme, and goes on to argue that therefore rationing is impracticable altogether, and that the only way out of the difficulty is to appeal for voluntary saving in domestic use¹ of fuel and to increase the output of coal. In this note we shall discuss the two issues separately.

(1) If the subject is examined dispassionately it is clear that a reduction of domestic fuel consumption is necessary and, as Sir William convincingly demonstrates, the only fair way of distributing the reduced supplies is by rationing. It is true that certain increases in production can be obtained by particular measures. The release of miners from the Forces which is now strongly advocated in many quarters (including, curiously enough, some people who were strongly opposed to such a

release before fuel rationing was threatened) can remedy the situation only to a minor degree. Output might be increased by concentrating production in the best seams and in the best pits. The miners themselves could be assured of a better standard of nutrition, thereby increasing their productivity. These steps might have been taken in the past: they were not, however, and even if they were to be taken at once it would be some time before output increased.

Against this potential increase, moreover, we are confronted with three offsetting items. The first is the necessity to pension old miners, which from a humanitarian point of view far outweighs the minor discomforts which will be caused by fuel rationing. The second is the continuously increasing demand for coal by the armament industries, to which should be added any development of substitute production, e.g. oil, rubber, which the acute shipping position may necessitate. Thirdly, whatever increase in output may be achieved, the need to build up large and dispersed stocks is of great importance. Thus although it is possible to increase the production of coal, the problem of curtailing domestic consumption loses none of its urgency.

(2) Curtailment of consumption is thus necessary and rationing is the fairest way of distributing the reduced supplies. Let us consider first the scheme as given in the White Paper. Its main disadvantage is that it tries to be too perfect, to give to everyone an allowance corresponding precisely to his needs. As a result the scheme is administratively complicated. (It should be emphasised, however, that the 15,000 workers required by Sir William Beveridge for a short period to initiate the scheme are less 'wasteful' than the number of miners who would be required to produce, year in year out, the extra coal needed to maintain domestic consumption.) A pointer to a simpler scheme is given by food and clothing rationing.

Suppose first of all that everyone receives the same personal ration, and that there is no basic household allowance at all. *A priori* children need the same ration as adults; they may consume less light, but need as much fuel for heating and a little more for washing. The obvious objection to this scheme is that the consumption of fuel does not increase proportionately with the number of persons in a family, because a great part of this consumption is, so to say, overhead consumption (this is true not only of heating and light, but also of cooking). A certain element of elasticity must therefore be introduced into the scheme so as to reduce the number of coupons available to large families. These usually are those with many children. One could achieve *approximately* the required aim by reducing the allowance for children under 15 to, say, 50%. This is not, be it noted, because children need less fuel, but is simply a device to make the family ration increase less than proportionately to the number of children in the family.² Babies and children under 5 or 6 (not attending school), need more than children attending school and should therefore be treated as adults. Sir William's idea of permitting invalids and old people to exchange clothes coupons for fuel coupons should definitely be incorporated in

¹ Despite the fact that the considerable "saving of fuel" campaign which has been vigorously conducted for some time has had little result.

² For this reason if a family consists of only one adult and one child, the latter should be treated as an adult.

the scheme. Climatic conditions also can be accounted for, as in Sir William's plan. The precise demarcation of the 'special' categories needs, of course, careful and detailed consideration and the above examples are mentioned only to show that a considerable element of elasticity can be introduced with a scheme based on the personal ration. Even with these modifications, such a scheme is not perfect. There will be some cases of great hardship; there will be others where the family ration is too high. The former can be remedied by instituting offices for appeals for special allowances; the latter, inherent in any rationing scheme (e.g. some people *need* no clothes coupons at all because they already own huge stocks), can only be met by the voluntary 'saving' campaign. The return of unused coupons, and the encouragement of saving within the ration, might indeed be assisted if the Government offered to buy back unused coupons for a small sum.

There remains the problem of coupon control. We envisage the following situation. The coupons should be on a points basis for all rationed fuels. For gas and electricity it is enough to collect coupons when the meter is read. For coal, the registration with one merchant, which is now almost universal, should be completed, and coupons should be tendered when bills are paid. There is still the problem of preventing the sale of unused coupons to other people. This can in theory be obviated by comparing for each consumer the ration with the number of coupons actually used during the rationing period, for in each case the number of coupons used on gas, coal or electricity is known (oil is a special case and might require registration). In practice it would be impossible to do this for all consumers, but a sample test, coupled with heavy penalties for any infringement thus revealed, should be sufficient.

So far no mention has been made of offices and institutions such as hospitals, schools etc. For these some simple assessment such as floor space, should be used and, in order to prevent the over-statement of needs, a sample test should be made of the correctness of the estimate by the institution, coupled with a heavy penalty for falsification. An alternative for institutions etc. would be to cut consumption by some percentage of the previous year, the cut being varied according to the type of institution.

This last alternative suggests a possible modification of the general scheme of domestic rationing, if fair rationing on a *personal* basis is rejected. In our above proposal we allowed for appeals for extra fuel to be made to a Fuel Officer and it is possible that the number of such appeals, especially from the larger houses with few inhabitants, would overload the administrative machinery. The objection to rationing on a 'personal' basis on these grounds may lead to a rejection of the whole principle, and it is possible to modify the above scheme to get over this difficulty. The consumer could be given the choice of taking the uniform personal ration as described above, or accepting a certain substantial percentage cut in his consumption of gas, electricity and coal below the level of the last year. For most small houses the basis personal ration would be more favourable, while some of the larger domestic consumers would prefer the latter alternative. In this way the scheme would become less complicated to administer but, it must be admitted, only at the expense of fairness.

A 'HUMAN NEEDS' DIET IN WAR TIME.

CHANGES FROM NOVEMBER 1941 TO APRIL 1942

The cost of a 'human needs' diet in March 1941, and November 1941, was discussed in Vol. 3 Nos. 5 and 17 of the BULLETIN. It was calculated for a family consisting of husband, wife, and three children of school age, with a total 'man' value of 3.75. For a detailed explanation of the computation of the diet schedule and its modifications the reader is referred to these articles. It may, however, again be emphasized

TABLE I.

Weekly Diet for a Family of 5 Persons.

Price per unit* Quantity			Changes since Nov. 1941	
			Outlay	Quantity
<i>(A) Rationed Foods</i>				
Meat	10d.†	7lb.	*	*
Bacon	1s. 6d.	½lb.	+4½d.	+ ½lb.
Margarine‡	7d.†	30oz.	-2½d.	-5oz.
Lard	9d.	10oz.	-2½d.	-5oz.
Sugar	3d.	2½lb.	-7½d.	-1½lb.
Jam and Syrup	10d.†	1½lb.	+1½d.	*
Tea	2s. 4d.	½lb.	*	*
Cheese	1s. 1d.	15oz.	*	*
Egg	2d.	one	- ½d.	*
Peas and Lentils (split)	4½d.	1lb.	-2½d.	*
Beans	6d.	½lb.	-3d.	- ½lb.
Rice, etc.	6d.†	1½lb.	+3½d.	+6oz.
Dried Fruit§	8d.†	1lb.	+5½d.	+ ¾lb.
<i>Outlay on Group (A)</i>	<i>...</i>	<i>13s. 10d.</i>	<i>-3½d.</i>	
<i>(B) Unrationed Carbohydrate Foods.</i>				
Bread	2d.	19lb.	*	*
Flour	2½d.	2½lb.	+1½d.	+ ½lb.
Potatoes	1½d.	34½lb.	*	*
Oatmeal	2½d.	2½lb.	+1½d.	+1lb.
<i>Outlay on Group (B)</i>	<i>...</i>	<i>7s. 7½d.</i>	<i>+2½d.</i>	
<i>(C) Milk and Vegetables.</i>				
Milk, fresh	4½d.	14pt.	*	*
Ditto, school	1½d.	5pt.	*	*
Carrots and Turnips	1½d.	7lb.	*	*
Greens	4d.	7lb.	+1s. 0½d.	*
<i>Outlay on Group (C)</i>	<i>...</i>	<i>9s. 1d.</i>	<i>+1s. 0½d.</i>	
<i>(D) Other Foods.</i>				
Sausage Meat (beef)	7d.	2lb.	*	*
Fish	10d.†	2lb.	+2d.	*
Cocoa	1s. 2d.	½lb.	*	*
Condiments	4d.	*	*	*
<i>Outlay on Group (D)</i>	<i>...</i>	<i>3s. 5½d.</i>	<i>+2d.</i>	
<i>Total Cost of Diet</i>	<i>...</i>	<i>34s. 0d.</i>	<i>+1s. 1½d.</i>	

* Milk, ordinary and school, price per pint; eggs, price of one egg; condiments, total outlay; all other foods, price per lb.

† Average price.

‡ Half 'special' margarine.

§ Dates and prunes.

|| 5 lb. for 6d.

that a diet of the type envisaged demands considerable time and skill for shopping and the cooking of three meals a day.

A 'human needs' diet that could be bought in Oxford in April 1942, is shown in Table I. The price of the cheapest kinds of meat, shoulder of lamb and stewing beef, varied from 8 pence to a shilling a pound, but the buyer had to accept whatever kind of meat happened to be available. Split peas and lentils, and rolled oats, were plentiful and cheap. Salt cod, which had never been very popular, seemed to have vanished from the market, but whiting and small herrings could be bought on certain days, though in some parts of the town by early shoppers only. Greens were very dear, a pound costing on the average $1\frac{3}{4}$ pence more than in November. The price of sugar had been reduced by a penny a pound.

The increased supply of oatmeal since last November, and the reduction of the rations of sugar and fats¹, necessitated several changes in our diet schedule, to retain a correct balance of protein and calorific intake. In several instances, there were changes in the unit price of a food since November because a somewhat different type of the respective food was generally available in April. The rise in the total cost of the diet, however, practically corresponds to the rise in the cost of greens.

The main nutritional values of the diet shown in Table I are, per 'man' per day: calories, 3,300; total protein, 105 grams; of this, animal protein, 51 grams. To allow for the fact that the protein value of the war-time sausages is very low, the sausage meat has only been given the nutritional values of an equal amount of shepherd's pie.²

The mineral values of the diet have been calculated per person, as the scale of 'man' values used for the calculation of the requirements of protein and calorific foods cannot be applied in assessing the mineral requirements of the family.

TABLE II.
Average Mineral Intake per Day.
(per person).

	Calcium (grams.)	Phosphorus (grams)	Iron (grams)
(A) Complete Diet	0.90	1.61	0.019
(A1) Diet A excl. school milk	0.80	1.53	0.018
(A2) Diet A1 <i>plus</i> school milk for one child	0.96	1.66	0.019
(B) Diet A with cabbage instead of greens	0.74	1.60	0.018
(B1) Diet B excl. school milk	0.64	1.52	0.018
(B2) Diet B1 <i>plus</i> school milk for one child	0.80	1.65	0.019
(C) Diet A excl. all minerals from potatoes, root vegetables, and greens	0.63	1.42	0.015

The values of mineral intake were derived from the data compiled by R. A. McCane and E. M. Widdowson, for the Medical Research Council,³ except the values for greens, which are based on data given by Sherman,⁴ as the tables by McCane and Widdowson do not show the figures for raw greens. The losses of minerals allowed by us for the preparation of the foods and waste are: meat 25 per cent., potatoes 25 per cent., root

¹ The rations were, in November 1941: sugar 12 oz., margarine 7 oz., lard 3 oz.; in April 1942: sugar 8 oz., margarine 6 oz., lard 2 oz.

² Based on the data quoted by R. A. McCane and E. M. Widdowson.

³ H.M.S.O., 1940.

⁴ H. C. Sherman, *The Chemistry of Food and Nutrition* (Sixth Edition), New York, 1941.

vegetables 10 per cent., greens 50 per cent., fish 20 per cent., cabbage 10 per cent. Row C in Table II shows the mineral values of the diet if the vegetables were cooked in such a way that practically all their minerals are wasted. In that case the children's diet would be affected most, for a child's mineral intake depends far more than that of an adult on the consumption of vegetables. If the vegetables are prepared carefully, then a child eating more vegetables than an adult but less of other foods could derive from the family diet on the average about as much minerals as an adult, to which there would be added the minerals from the school milk.¹ In this case, the mineral requirements of all the members of the family would be amply covered, as is indicated by a comparison of the data in Table II and Table III.

TABLE III.
Mineral Requirements per Day (Sherman)*

			Calcium (grams)	Phosphorus (grams)	Iron (grams)
Minimum for Adults	...	...	0.5	0.9 —1.5	0.008
Optimum for Adults	...	...	not given†	0.9 —1.5	0.012
Optimum for Children...	...	...	0.4—1.0	1.16—1.46	not given

* *Op. cit.*

† Sherman states, however, that the optimum requirement lies considerably above the minimum requirement.

The point foods included in our diet would only require 21 points, at their point value in May. This gives the family another 9 points a week which, if spent on inexpensive meat or fish foods that could partly replace either sausage meat or fish, might raise the total cost of the diet by about 6 pence. The effect of such a substitution on the nutritional intake would be negligible.

T. SCHULZ.

WAGES AND THE NATIONAL INCOME IN 1940 AND 1941

The data given in the White Paper² on the relative changes of wages and national income raise some interesting problems. The respective figures given there are as follows:

				1938	1940 (£ million)	1941
Wages ³	...	...	...	1,790	2,484	3,021
National Income	...	...	...	4,595	5,585	6,338
Relative share of wages %	...	...	...	39.0	44.5	47.7

We see a very strong rise in the relative share of wages in the national income, which is the more surprising as some increase in prices relative to costs has undoubtedly taken place, so that we should have expected rather a fall in the relative share of wages. Two points relating to this problem arise immediately.

The first concerns the calculation of profits in 1938 in the latest

¹ Cf. Table II, diets A2 and B2.

² Cmd. 6347.

³ Inclusive of the pay and allowances (in cash and kind) of ranks other than officers in H.M. Forces and Auxiliary Services.

White Paper. As opposed to the previous White Paper¹ the figure of profits obtained on the basis of Inland Revenue assessments has been corrected by adding a figure for writing down of inventories, which is estimated at £135 million. As a ground for this procedure it is said that 'stocks were written down when they had fallen in value, but not written up when they had risen in value,' and therefore 'no other year is affected by the change since this adjustment is only required in times of falling prices.' This statement may be questioned. Stocks are valued for the Inland Revenue assessments at cost or current price, whichever is the lower. That means that if the period of turnover is, say, four months, stocks are valued at the average prices of the last four months of the year or at prices at the end of the year, whichever is lower. Therefore the asymmetry between the years of rising and falling prices exists only in so far as the prices at the end of the year are significantly lower than the average prices in the last few months of the year. This, however, was not the case in 1938, and therefore the procedure applied does not seem to be sufficiently well founded. We therefore subtract £135 million from the White Paper figure of national income in 1938.²

The second point is of an entirely different nature. The remuneration of soldiers cannot be considered as a usual type of wages, because they are paid, so to say, outside industry proper, and have no counterpart in overheads and profits. Their inclusion in the wage bill inflates artificially, therefore, the relative share of wages. If we want to know the changes in the distribution of income in industry proper, we must deduct this item both from wages and from the national income. The remuneration of soldiers³ may be estimated (very roughly) at £250 million in 1940 and £500 million in 1941. After both corrections mentioned above are introduced, we obtain the following figures for wages and the national income.

					1938	1940 (£ million)	1941
Wages ⁴	...	...	...	...	1,790	2,234	2,521
National Income ⁵	...	...	...	...	4,460	5,335	5,838
Relative share of wages, %					40.1	41.9	43.2

It is interesting to notice that changes in the wage bill after deduction of soldiers' remuneration agree well with the estimates of wage bill which were given in this BULLETIN.⁶ If we take 1938 as 100 the index of the

¹ Cmd. 6261.

² The figures of national income which we are going to use include in all years the changes in the value of stocks calculated at cost. It may be shown that such figures are relevant to the problems of distribution, as arising out of the system of price formation, if prices are based not on current costs of the factors of production but on their cost of acquisition in the past. In other words the application of the figures of national income calculated as described above is based on the hypothesis that the time lag between the cost of the factors of production and the selling price of a product is more or less the same as the period of turnover. This hypothesis is probably often true but not always so, and therefore a statistical analysis of the distribution of the national income involves a high degree of uncertainty.

³ Except regulars whose remuneration is included also in 1938.

⁴ Exclusive of soldiers' remuneration.

⁵ After subtracting in 1938 £135 million for writing down of stocks, and exclusive of soldiers' remuneration.

⁶ Vol. 4, No. 3, p. 67.

wage bill is, according to the above table, 125 in 1940 and 141 in 1941. Our estimates for these years were 125 and 145.

The rise in the relative share of wages in the national income is now much less than that which was obtained on the basis of the original figures. However, the problem why it has risen and not fallen still requires explanation.

The national income includes incomes in two sectors of the economy where wages are not paid, namely real estate and retail trade (the latter employs shop assistants, but in the present White Paper they are classified as salary earners). In normal times this may not significantly influence changes in the relative share of wages because at least the gross income of the retail trade changes *pari passu* with the national income. In the last few years the position has been entirely different because an exceptionally great rise in the national income was not accompanied by a rise of incomes from rent and retail trade. To analyse, therefore, the changes in the relative share of wages we should subtract these two items from national income and see what will then be the change in the relative share of wages in the residual. Rents are given in the White Paper as £373 million, £383 million and £379 million in 1938, 1940 and 1941 respectively. The gross income of the retail trade (retailers' profit, salaries of shop assistants etc.) may be estimated only very roughly. On the basis of the available data it has been estimated that retail sales were approximately £2,650 million, £2,970 million, and £3,100 million in 1938, 1940 and 1941 respectively. It can be then assumed that the retail trade margin is about 25 per cent. of the price and that the war-time change in indirect taxation has been passed to the consumer without it being 'marked up' by the retailer (this was definitely the line of the Government price control). The rise in customs and excise from 1938 to 1940 was £134 million, from 1938 to 1941—£337 million. We thus calculate the gross income of the retail trade in 1938 by taking 25 per cent. of £2,650 million; for 1940 we subtract from £2,970 million £134 million, and take 25 per cent. of the difference. The procedure for 1941 is analogous. We obtain in this way the gross income of the retail trade at £662 million, £709 million and £691 million in 1938, 1940 and 1941 respectively. We can thus now eliminate from the national income rents and gross income of the retail trade.¹

		1938	1940 (£ million)	1941
Wages (excl. soldiers' pay) ...		1,790	2,234	2,521
National Income ² less rents and gross income of retail trade ...		3,425	4,243	4,768
Relative share of wages, % ...		52.3	52.7	52.9

We see now that the relative share of wages is approximately stable. It should be mentioned, however, that in the national income there is still one item which has no counterpart in wages: income from overseas, which in 1938 amounted to £235 million. We do not know this

¹ The rent paid by retailers is included in each of these items but this duplication is not of great importance.

² After subtracting in 1938 £135 million for writing down of stocks, and exclusive of soldiers' remuneration.

figure for 1940 and 1941, but it is likely that it has fallen appreciably while the national income has considerably risen. If we were to subtract this item also from the national income the relative share of wages would be about 56 per cent. in 1938 and lower in 1940 and 1941. The fall is unlikely to be considerable, but here still another point must be taken into account. A rough estimate of the relative share of wages in the income derived from war-time engineering shows that it is of the order of 56—60 per cent. Now if one takes into account that a considerable shift has occurred from other industries to war-time engineering, it is obvious that even to a small fall in the relative share of wages in all industries concerned there might have corresponded an appreciable fall in the industries working for the free market. That is particularly true for 1941 when the shift from other industries to war-time engineering as compared with 1938 was on a very large scale.

M. KALECKI.

DIARY

NEW 3 PER CENT. SAVINGS BONDS.

At the end of April the 3 per cent. Savings Bond 1955—65 were replaced by a new tap issue: the 3 per cent. Savings Bonds 1960—70. Since the old issue of 3 per cent. Savings Bond was started at the beginning of 1941 this means a lengthening of the period of repayment by 3 years and 8 months. This is of course equivalent to a certain reduction in the rate of interest on Government loans.

The introduction of 3 per cent. Saving Bonds at the beginning of 1941 marked a new phase in the Government's borrowing policy. These bonds are close substitutes for long term bonds like consols and their availability on tap stabilized in a way the bond market as a whole; for in such conditions the bullishness or bearishness of the market expresses itself in larger or smaller purchases of securities on tap rather than in variations of prices of bonds. Indeed, in the first half of 1941 the prices of consols were fairly stable. The rise in the middle of the year may be attributed just to the anticipation of the lengthening of the period of repayment of securities on tap. It is this fact which also explains that there was no rise in prices of bonds after the new issue has been introduced: the improvement of borrowing terms had been already discounted in the rise of bond prices in the last year.

COSTING

Press comment on the Auditor General's Report on the Civil Appropriation Accounts (Unclassified Votes) 1940 (published 7 April 1942) was concerned mainly with what *The Times* called 'Scandals of Production' and particular attention was drawn to the very large personal fee of £39,000 paid to one consulting engineer for two years' work, and to the excessive profits earned by the manufacturers of a particular gun for the Air Ministry (subsequently the Ministry of Aircraft Production). These, and other, spectacular instances no doubt merit publicity and the particular attention of the Committee of Public Accounts, but the Auditor General's Report shows that behind them lie more general problems. One of the most important of these would appear to be cost investigation. The Auditor General mentions that the 1941 Public Accounts Committee had stressed that the ascertainment of actual

costs ' . . . provides a valuable corrective of price-fixing based on estimates, . . . ' and had recommended that the fullest possible use of costing should be made by the Ministry of Supply (this is the particular Ministry under review, but the recommendation applies clearly to all Ministries), having recourse, wherever necessary, to the Ministry's compulsory powers. The Auditor General naturally regards costing from the point of view of ensuring that ' profit margins are fair and reasonable,' but costing has a wider significance than the mere prevention of profiteering. Such investigations can be used to indicate which firms need special examination. If costs are very high, it may be simply because the equipment is obsolete, or that the management is inefficient and wastes labour and material. Only special examination can determine the real cause of high costs (excessive wage payments, of course, appear automatically in the returns). If very low costs appear, special examination is also desirable in order to see whether the particularly efficient methods of a firm cannot be extended to other businesses. It is just in the approach towards the best use of labour and material that the main potentiality of increased war production lies. It is therefore rather disturbing to find several references of the Auditor General to firms which have refused to allow costing. In the case of a contract for tractors, for example, ' . . . the Ministry's investigator was not allowed to examine the costs . . . ' In an ammunition contract (placed originally before the war, but renewed from time to time until the present) ' . . . the contractor refuses to accept contracts subject to the costings clause and, moreover, has no proper costing system.' In another case dealing with warlike stores, the Report states ' For the fifth order (December 1941) the contractor wished to quote a fixed price of £750 each for 500 articles. The Ministry considered that £650 would be a fair and reasonable price, but the firm would not reduce their price below £715 or consider any form of costed contract until the price had been agreed.' The Ministry in this case considered the use of its statutory powers of compulsion, but then decided to compromise when a price of £695 was agreed, rather than to risk interference with production by compelling the firm to accept a cost investigation. In the case of the gun contract for the Air Ministry mentioned above ' Full access to the company's records was never obtained . . . ' It appears that, in the case of the Ministry of Supply, ' a standard form of detailed cost has not been adopted.' The Ministry's reluctance to compel costing may mean the continuation of the wasteful use of irreplaceable factors.

Even where cost investigations are carried out, the ' . . . examination of investigation reports revealed little evidence that attention is given to the reasonableness as distinct from the recorded amount of contractors' costs . . . ' Again translated into real terms this means that investigators interpret their functions in a narrow, financial sense, and do not attempt, in many cases, to discover the underlying wastage of material and labour.

The conclusions which are suggested by the study of this particular Report are (1) that cost investigation should be interpreted in a much wider sense than at present appears to be the usual practice, (2) that the standardisation of the detailed forms should be carried as far as is practicable, (3) that the supply Ministries should be less reluctant to disturb the peaceful harmony of their relations with contractors, and

use their compulsory powers in this sphere as they have been used in other spheres of the war economy.

FAMILY ALLOWANCES.

A White Paper on family allowances has been published by the Chancellor of the Exchequer. It does not deal with the sociological aspects of the problem, but confines itself to the financial side. Thus the various means of giving family allowances are indicated, and the financing discussed, without the Government committing itself to any particular scheme.

The *gross* cost of making an allowance of 5s. a week for every child up to the age of 15 is estimated at £132,000,000 *per annum*, which, however, would be partly counterbalanced by savings on other expenditure, including income tax, amounting—after the first year—to £68,000,000. If the first child were excluded, the *gross* cost of the scheme would be about £58,000,000, while the savings would amount to £19,000,000.

The White Paper, although it does not recommend any special scheme, rightly expresses the opinion that, to make the allowance fully effective, it would have to be applied directly to the children, in the form of allowances in kind. The need for family allowances is undisputed. Even those who now object to it only actually object to an extension of the allowances which are already granted to the wealthier parents, in the form of a reduction of income tax. It is, at best, bad logic to deny the need for such allowances in the case of the poorest section of the population, while asserting it, and often most emphatically, for its wealthier part. But it cannot be doubted that, as regards the children's welfare, allowances in money would be wasteful; for even if a mother spent every penny of it to the best advantage of her children, the economies of large scale organization would be lost. Moreover, allowances in kind would be far more flexible, that is, far more adaptable to individual needs, than allowances in money. If every child of school age entitled to an allowance obtained at school a midday meal, costing 4d., and two thirds of a pint of milk at, say, 3½d. a pint, on five days a week the whole year round, there would be left 2s. 4d. a week for other items; e.g. health services, holiday funds, and clothing. Special arrangements would, of course, be necessary for infants below school age, such as the already existing distribution of free and cheap milk, cod liver oil, and fruit juices, and part of the allowance might be used to give holidays to mother and child.

There can be little doubt that, in the longer run, the gain to the nation from such allowances, if they were properly applied, would far outweigh its cost, which, for all children, would be even less than £64,000,000, if the general allowance—irrespective of the parents' income—were restricted to meals, milk, and health services, with the necessary modifications so as to meet the special needs in the case of infants.

In one of its sections, the White Paper discusses the possibility of raising the necessary funds by means of a contributory scheme, which, in fact, would amount to a special tax on the workers, unless, indeed, it were possible to collect contributions from potential parents only, in which case it would become a kind of insurance. It is obvious that any such scheme would encounter widespread opposition.

THE INCREASE IN CINEMA PRICES.

Full employment and the scarcity of commodities have diverted considerable purchasing power to the consumption of certain services, especially to the cinema trade, which experienced a record year in 1941.

	Average weekly attendance (in thousands)	Average Price of Ticket	Year's Gross Box Office Takings (in million pounds)	Of which for Entertainment Duty (mill. £)
1934	18,000	10d.	41	6.8
1940	22,000	10d.	48	8
1941(Estimate)	25,000	1/-	65	13

The new budget has brought a rise in the scale of Entertainments Duty and in addition the exhibitors have decided to raise their price further. The following is a table of representative increases.

Old Price	Of which Duty	Proportion of Duty	New Price	Of which Duty	New Proportion of Duty	Rise of Net Receipt (%)
1/-	3d.	25%	1/6	6d.	33%	33%
1/6	4d.	22%	2/-	8d.	33%	14%
2/6	7d.	23%	3/-	1/2	39%	(-4%)

Before the budget the E.D. was almost uniformly 25% ; now it is about 33% for cheap and 40% for expensive tickets. But the increase of prices is in a regressive direction. In fact the *net* increase (excluding tax) for the exhibitors is steeply regressive, leading to an actual reduction in the case of the expensive seats. That the full weight of the increase will fall upon the poorer patrons is probably best explained by the monopolistic position of the cinema in relation to the leisure and recreation of the working class, while the expensive seats have to compete with other entertainments for the wealthier classes.

The policy of raising net prices cannot be justified by increased costs, especially by the 25% increase of peace time wage rates last February. From the increase in Box Office Takings one may conclude that costs per unit have actually decreased. But in spite of 100% E.P.T. there may be other reasons for this policy. Extra profits allow firstly for the accumulation of the 20% Post War Credits, second the accumulation of a reserve for any later year, in which the standard profit may not be reached (in which case the deficiency below standard profit is refunded from E.P.T. previously paid) and third a desire to accustom the public to high prices, in order to safeguard their post-war position.

We estimate the total new increase at about £18 mill. annually, of which about half will be increased duty, the other half increased net revenue to exhibitors (35% of this net revenue is paid as film rent to the producers). A fall in attendance is not expected by the Chancellor of the Exchequer nor by the Exhibitors. If the patrons of cheap seats shift to the very cheapest seats, the increase in revenue will be slightly smaller, although queues may be longer. It would have been more in line with the Government's general policy if an increase in prices in excess of E.D. had been prohibited as it was done in the case of tobacco and—at least originally—in the case of the purchase tax.

RATIONING OF SWEETS AND CHOCOLATES.

From July 27th sweets and chocolate will be rationed on a 'points' basis, with special allowances for children. The sweets coupons, will be included in a new personal ration book. Lord Woolton stated that this latest advance in rationing had been taken in response to widespread demands from both the public and the retailers. Comment on the new scheme must be held over until the full details are available, but there are certain general remarks which should be made about the way in which the technique of rationing in general is developing.

The attitude of the Government towards rationing still appears to be that it is an unpleasant hardship which is to be imposed on the sorely tried public only when the stringency of supply of a particular commodity is so great that there is no alternative. The consequences of this attitude are two-fold. Firstly, rationing is introduced piece-meal, in small steps, at a time when stocks have been allowed to run down to such a level that the resultant ration is much smaller than would have been the case if some foresight had been shown by the authorities. The consumer has to master more schemes, with less reward per scheme, than if more comprehensive rationing were introduced at an earlier stage. Secondly, the straightening out of the distribution of one commodity by rationing only aggravates the dislocation in sectors still unrationed. One would have thought that at this stage it was fully understood that if one good be rationed, so also must substitutes be rationed with it. Yet there is no reference in this new scheme to either cakes, or tobacco. A more comprehensive scheme including these latter commodities, and perhaps also drink, would have been hardly more difficult to administer (and certainly infinitely easier than a separate scheme for each good), and would eliminate the complications introduced by the non-smoker, the man who does not eat sweets and so on, while allowing for the special claims on sweets by children.

Another symptom of this 'too little—too late' attitude is to be found in the frequent changes raising of the point values of most of the 'point foods.' These values were, on the average, raised substantially as recently as last March; within two months the 'real' equivalent of the points for several of the foods covered has been halved, while in other cases it has been substantially reduced. *Relative* variations in the 'points' value are obviously necessary and desirable because it is impossible to anticipate precisely the demand for particular items, but this heavy *general* reduction appears to imply that the rations available before March were much too high in view of the supplies which could be reasonably anticipated for the coming months.

Rationing, carefully and comprehensively planned, is a positive weapon of the war economy, which would be welcomed by the public as the sole means of achieving 'fair shares,' but if it is used in the present piece-meal fashion its value is frittered away.

ROOSEVELT'S ECONOMIC PROGRAMME

In a message to Congress the President announced the outlines of an economic programme to fight inflation. He revealed that the rate of war expenditure was now (April) \$36 billions a year (i.e. it has now reached approximately the magnitude which was planned before the outbreak of war). At the end of 1942 the expenditure is expected to be

doubled, i.e. it will reach then a yearly rate of over \$70 billions. How much this amounts to as compared with British expenditure is difficult to guess, because it all depends on the cost of various armaments in U.S. which is probably decreasing as mass production is being introduced ; but it is safe to say that U.S. expenditure in real terms is at present at least as big as British expenditure.

Full employment is not reached yet in the U.S. ; the President estimated the extent of unemployment at 2 millions. The plan is, therefore, anticipating the situation which will arise at the end of this year, when the number of people employed in war production is to increase to 15 millions (as compared with 5.4 millions at the end of last year). The plan embodies three main points : Heavy taxation of excess income, price and wage stabilization, and rationing. The necessary legal powers for price stabilization had already been granted, and the President's announcement was shortly followed by an order which fixed ceiling prices for most essential goods, as from May 18th. The maximum price is determined as the price at which the individual seller sold in March 1942. As to *farm prices* the President declared himself dissatisfied with the present position which aims at giving the farmer at least ' 110% parity ' (parity meaning the relative price of the respective farm product, as compared with the cost of goods bought by farmers, in the basic period 1910—1914). The intention is now to change the legislation and restore the original aim of 100% parity. In the field of wage control where stabilization was up to now resisted by the administration, the President declared it his aim to prevent further wage increases ; there is to be, however, no new legislation, and the policy will work on the basis of a general recommendation to the War Labour Board. The taxation envisaged seems to involve a strong increase in excess profits tax and in tax on personal income. The President indicated that \$25,000 (net of tax) should be the maximum personal income allowed.

In its outlines the plan resembles closely to the pattern of economic policy in this country ; an apparent exception is in the field of wage control, but it may be assumed that the new U.S. policy will not imply a wage stop, but only a stronger resistance against wage increases. Apart from this the main weapons of price control, heavy taxation and a gradual extension of rationing are the same.

A LABOUR SUPPLY INSPECTORATE

The case for an efficient governmental organisation with executive power on the regional level has been repeatedly stated in this BULLETIN and elsewhere, and is greatly reinforced by comprehensive reviews of the Organisation of Production and the Supply of Labour of the Select Committee on National Expenditure. The Committee state that they have a ' large volume of evidence indicating periodic underemployment of labour ' and they attributed this mainly to the fact that regional officers have neither individual nor corporate responsibility for the distribution of labour, and they assert that, ' in principle labour is distributed in the same way to-day ' as in times when there was substantial unemployment. Firms are left with the primary responsibility of securing the labour and other resources necessary for them to fulfil their contractual commitments.

Responsibility for the efficient use of labour is at present divided between the Ministry of Labour and the three Supply Departments. The Ministry of Labour acts through the 11 Regional Controllers, 44 District Man Power Boards and 400 Inspectors of Labour Supply, and bears, in theory, the main responsibility for supply, transfer and use of labour. In practice its power is restricted by the Labour Divisions of the Ministry of Aircraft Production, of the Admiralty and to a lesser extent the Ministry of Supply, each of which has special representatives and local officers which are responsible for training, up-grading, dilution, substitution and redistribution of labour by all firms working for that particular ministry. Regional and local officers of the Supply Departments report to headquarters directly, not to the region, and headquarters, when placing contracts frequently do not consult or inform the regional representatives. Main contractors subcontract whatever work they consider necessary to other firms. Responsibility for the distribution of labour is thus based not upon the local officer of the Production Department but upon the main contractors, but they have no accurate information about the total resources available throughout the country, and work may be subcontracted by them without knowledge of capacity or supervision of efficiency. The effect of the competition of Departments is the overloading of some areas with work and under-employment in others.

The Labour Supply Inspector and the regional and local officers of the Production Departments are overlapping in their work, firms are visited by two or three inspectors, each taking a merely departmental view and inspecting only that part of the firm's labour arrangements which affects their own department. The limited number of Inspectors makes it impossible to maintain a continuous and thorough supervision of the efficient use of labour in all factories concerned and action is taken mainly in cases where the production situation happens to be critical.

The conclusion which the Committee draws from this fact-finding survey is that the production officers of the Supply Departments and the Labour Supply Inspectors of the Ministry of Labour should be merged into a single inspectorate responsible to the regional authority. This new and enlarged Labour Inspectorate which should co-operate closely with the Factory and Welfare Inspectors should have complete knowledge of the capacity at their disposal, the contracts placed and the progress of the work in hand and a degree of authority similar to that of the regional controller of the Ministry of Labour. On the basis of this information they would work out the proper distribution of labour among the firms of the area and, if necessary, on an inter-regional basis. That would go some way towards reducing the competition for labour between employers which still goes on in spite of the Essential Work Order, and the competition between Departments for which the existing priority rules do not provide an adequate guide for the distribution of labour between conflicting demands. The attempts of both employers and Departments to look at their own requirements only, to demand the maximum number of workers and the highest proportion of skill and to keep on labour even if it is not fully used, could be checked by such a co-ordinating body which is in constant touch with all the firms of the region and in a position to decide with a view to the aggregate demand rather than to these specific departmental claims. The priority in-

structions do not specify the exact amount of labour to be supplied to undertakings. Local officers of the Ministry of Labour supply firms on highest priority work with all the labour they require and distribute the remainder to work for lower priority. As a result the rate of output of components and finished products is frequently not properly balanced and efforts to redress the disequilibrium 'tend to give rise to wide oscillations in the output of each article.' It would be one of the duties of the unified Labour Inspectorate to secure a more balanced distribution of resources between conflicting demands. They would also be responsible for the initiation of schemes of dilution and 'de-skilling,' for training and up-grading. The degree of dilution seems to differ considerably from one firm to another and between Departments, and only a Labour Inspectorate with wide local experience (which the staff at headquarters cannot have), will be able to decide whether and where further savings in skill are possible. Very often this question is bound up with the introduction of simpler manufacturing processes. The devising of methods of de-skilling by simplifying engineering processes, which is an important factor in bringing women into industry, is usually done by the more progressive managements. To disseminate the knowledge of these technical methods and to bring them into operation in other firms engaged on similar work would clearly be of great value in increasing output per head and in removing the bottle-neck in skilled labour. This sphere of activity of the Labour Inspectorate would necessarily link up with that of training and up-grading. Under the Ministry of Labour arrangements employers are supposed to train beyond their own immediate requirements. Although such training has lately increased it has not come up to expectations, partly because there have not been enough qualified inspectors to go round every firm, and partly because inspectors have no direct power of compulsion. The response to up-grading courses arranged at factories, training centres and technical colleges has been equally insufficient, mainly, it appears, because employers are reluctant to release men for this purpose. Here again, the co-ordinated Labour Inspectorate, viewing the situation as a whole could decide better than individual entrepreneurs where men could be temporarily freed for training and up-grading courses.

Moreover, the Committee points out that the fact that employers' demands have been met does not show that the country's capacity is fully used. Their demands are made in relation to the work actually on the order books, and departmental contracts do not appear to be placed in the light of maximum capacity which could be achieved by proper organisation. Labour inspectors could give the regional controllers and headquarters a clearer picture of the maximum capacity of firms and regions and thus help in placing maximum contracts consistent with efficiently organised labour resources.

To merge the existing staff of the Supply Departments and of the Ministry of Labour and at the same time to train additional labour inspectors drawn from Trade Union members, shop stewards and production engineers, either at separate training establishments or by absorbing them into the existing organisation, would be a great step forward towards a decentralized administration.